

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS KUWAIT 004483

SIPDIS

STATE FOR NEA/ARPI SWALKER, LONDON FOR LTSOU

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [KU](#) [KUWAIT](#) [IRAQ](#) [RELATIONS](#)

SUBJECT: KUWAITI PERSONAL DEBT FORGIVENESS VERSUS IRAQ DEBT AND FOREIGN AID

1. (U) Kuwaiti opposition groups in the National Assembly opposed to debt relief for Iraq and assistance to the U.S., Pakistan and other countries have renewed their call for the cancellation of Kuwait citizens' personal debt. They see that as the preferred accompaniment or alternative to cancellation of Iraqi debt and continued GOK aid abroad. The GOK claims there to be as much as \$12-14B in Iraqi debt and press reports have cited a figure as high as \$17 billion. The GOK has pledged \$500M to the U.S. for Hurricane Katrina assistance and \$100M to Pakistan for earthquake assistance.

2. (U) The renewed debate, spurred by GOK considerations of debt relief for Iraq and the government's large budget surplus (estimated by private financial services as exceeding \$24B for Kuwaiti FY05-06), is spearheaded by Islamists, the Popular Action Bloc headed by Ahmed Al-Saadoun, and other members of parliament (MPs), including Dr. Awad Barad Al-Enezi, presumably seeking to score political points with relevant constituents in preparation for the 2007 parliamentary elections.

3. (U) Press reports cite some MPs calling on the GOK to cancel private Kuwaiti consumer loans (estimated by the Central Bank at \$5.4B), including real estate loans and phone bills. Others have suggested awarding each Kuwaiti household 10,000 Kuwaiti Dinars (\$34,000) to cover living expenses. The Prime Minister has dismissed the proposals as politically and economically unfeasible. Liberal MPs are also opposed to such measures and would like to see increased fiscal discipline imposed on Kuwaiti citizens, including the adoption of a national income tax to cover expats as well as citizens of Kuwait. (Note: Kuwaiti citizens today are exempt from paying any personal taxes.)

4. (U) Comment: The issue of debt relief for Kuwaiti citizens will complicate the GOK's efforts to cancel Iraqi debt when this matter reaches the National Assembly.

LEBARON